

## Message Text

UNCLASSIFIED

PAGE 01 BERN 05589 091025Z

53

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00

XMB-04 OPIC-06 LAB-04 SIL-01 /114 W

----- 056448

R 090930Z DEC 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 3614

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USDEL MTN GENEVA

AMCONSUL ZURICH

UNCLAS BERN 5589

PASS TREASURY AND FRB

EO 11652: N/A

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK NOV 28 - DEC

4

1. SUMMARY: DOLLAR SHOWED SURPRISING STRENGTH WHILE GOLD PRICE APPEARED STABILIZE AT 30. SWISS NATIONAL BANK AGREED PERMIT BANKS RESUME TRADE IN ITALIAN LIRA LARGE DENOMINATION BANK NOTES. LATEST CONFEDERATION BORROWING OVERSUBSCRIBED. SWISS NATIONAL BANK NOV STATEMENT BALANCE SHEET TOTAL SHOWED SLIGHT INCREASE OVER OCT. VOTERS ON DEC 5 APPROVED TWO FEDERAL DECREES ON REGULATING BANK CREDIT AND PRICE SURVEILLANCE AND REJECTED POPULAR INITIATIVE PROPOSING 40 HOUR WORK WEEK. EXHIBITORS AT SWISS EXPO IN CAIRO REPORTEDLY SATISFIED WITH SALES. OCCIDENTAL PETROLEUM CUTTING BACK ACTIVITIES IN SWITZ. RETAIL SALES DECLINED IN OCT. BANKRUPTCIES

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 05589 091025Z

DECREASED IN NOV.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE MARKET MODERATELY ACTIVE THIS WEEK WITH SURPRISING UPWARD PRES-SURE ON DOLLAR AS WELL AS DM. DOLLAR APPRECIATED FROM SF 2.44 TO SF 2.45 WHILE DM ROSE SLIGHTLY. BANKERS EX-PLAINED THAT UNUSUAL COMBINATION OF TECHNICAL DEVELOP-MENTS (LIMITED REACHED ON EUROFRANC SALES TO FOREIGNERS BY BANKS WHILE LARGE NUMBE SWISS FRANCS BECAME AVAILABLE ON MARKET) COINCIDED WITH DECLINE CANADIAN DOLLAR AND DEVALUATION AUSTRALIAN AND NEW ZELAND CURRENCIES TO GIVE DOLLAR UNUSAL BUOYANCY IN SPITE OF LOWERING US PRIME RATE. BANKERS BELIEVED DOLLAR WOULD WEAKEN AGAINST SF SOON. GOLD PRICE APPEARED TO STABILIZE ABOUT 130. RATES FOLLOW.

ITEM - 11/29(OPEN) - 12/3(CLOSE)

SPOT DOLLAR - 2.4390 - 2.4525

FORWARD DISCOUNTS (PCT P.A.)

ONE MONTH - 2.95 - 3.57

TWO MONTHS - 2.77 - 3.13

THREE MONTHS - 2.67 - 3.00

SIX MONTHS - 2.78 - 2.97

TELEVE MONTHS - 2.75 - 2.79

SF/DM - 101.45 - 101.90

GOLD - 129.75 - 130.5

3. ITALIAN LIRA: IN VIEW DIMINISHED CAPITAL OUTFLOWS FROM ITALY AND STABILIZATION OF MONETARY SITUATION THERE, SWISS NATIONAL BANK AGREED WITH SWISS BANKERS ASSOCIATION THAT EFFECTIVE DEC 1, SWISS BANKS AGAIN AUTHORIZED TRADE IN ITALIAN BANK NOTES OF LIRA 50,000 AND 100,000. DECISION CAME ONE MONTH BEFORE EXPIRATION SNB AGREEMENT WITH BANKS REGU-LATING TRANSACTIONS IN LARGE DENOMINATION LIRA BANK NOTES BUT DOES NOT AFFECT APRIL 14, 1976 ORDINANCE LIMITING IMPORTS OF FOREIGN BANK NOTES TO EQUI-VALENT SF 25,000 PER PERSON PER QUARTER.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03     BERN 05589 091025Z

4. CAPITAL AND MONEY MARKETS: SWISS NATIONAL BANK EX-TENDED CREDITS SF 749 MILLION TO HELP BANKS MEET MONTH END REQUIREMENTS. CALL MONEY RATE RETURNED TO 0.5 PERCENT. STOCK PRICES SHOWED MODEST IMPROVEMENT; SKA INDEX (1959 EQUALS 100) UP SLIGHTLY TO 207.9 DEC 2. AVERAGE YIELD CONFEDERATION BONDS INCREASED SLIGHTLY TO 4.46 FROM PREVIOUS 4.41. LATEST CONFEDERATION BORROWING SF 500 MILLION FOR 15 YEARS AT 4.25 PERCENT

INTEREST HAS BEEN HEAVILY OVERSUBSCRIBED.

5. MAJOR CHANGES SNB'S NOV BALANCE SHEET SHOWN  
BELOW:

ITEM - NOV 130 (CHANGE FROM OCT 30)(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD - 11,904 - NIL - NIL

FOREIGN EXCHANGE - 13,861 - UP - 657

ROOSA BONDS - 5,336 - DOWN - 67

DISCOUNTED PAPER - 544 - UP - 259

LOMBARD LOANS - 164 - DOWN - 53

OTHER - 1,278 - UP - 44

LIABILITIES

NOTES IN CIRCULATION 18,637 - UP - 428

GIRO ACCOUNTS 6,811 - UP - 253

RESERVES(FOREIGN LIABILITIES) - 226 - UP - 33

OTHER - 7,413 - UP - 126

BALANCE SHEET TOTAL 33,087 - UP - 840

ECONOMIC

6. ECONOMIC ISSUES: WINTER SESSION OF PARLIAMENT OPENED  
WITH ACTIVITY CENTERED ON 1977 FEDERAL BUDGET. PUBLIC  
AND PRESS ATTENTION PRIMARILY FOCUSED ON DEC 5 VOTING  
IN WHICH 1.68 MILLION VOTERS CONSIDERED THREE IMPORTANT  
ECONOMIC ISSUES. THERE WAS STRONG SUPPORT FOR GOVTS  
ECONOMIC PROGRAMS: CONTINUED SNB REGULATION OF  
BANK CREDIT APPROVED BY 70.4 PERCENT VOTES CAST AND PRICE  
SURVEILLANCE PROGRAM RECEIVED 82 PERCENT APPROVAL. VOTERS  
REJECTED BY 78 PERCENT INITIATIVE THAT WOULD WOULD HAVE REDUCED  
UNCLASSIFIED

UNCLASSIFIED

PAGE 04     BERN 05589 091025Z

WORK WEEK TO TO 40 HOURS WITHIN ONE YEAR. REJECTION SEEN  
AS SETBACK TO SWISS PROGRESSIVE ORGANIZATIONS, REVOLU-  
TIONARY MARXIST LEAGUE AND SOCIALIST PARTY WHICH SUPPORTED  
THE INITIATIVE. MOST VOTERS, INCLUDING LABOR UNIONS,  
FEARED THAT TOO RAPID REDUCTION IN WORK WEEK WOULD RESULT  
IN HIGHER LABOR COSTS AND LOWER PRODUCTIVITY DURING  
CURRENT CRITICAL PHASE OF ECONOMIC RECOVERY. SOME  
OBSRVERS INTERPRETED APPROVAL OF FEDERAL PROGRAMS AS  
INDICATION VOTERS MIGHT APPROVE CONSTITUTIONAL REF-  
ENDUM PLANNED FOR NEXT YEAR THAT WOULD PROVIDE GOVT  
WITH GREATER ECONOMIC POLICY POWERS.

7. SWISS EXPO IN CAIRO: PARTICIPANTS AT SWISS INDUSTRIAL  
EXHIBITION IN CAIRO REPORTED THAT THEY EXPECT SLAES CONTRACTS  
ABOUT SF 100 MILLION FROM TWO WEEK FAIR THAT CLOSED

DEC 3. METAL AND MACHINE INDUSTRY EXHIBITORS REPORTED SATISFACTORY RESULTS WITH ESTIMATED SF 40 MILLION FIRM SALES AND ADDITIONAL SF 50 MILLION ORDERS EXPECTED FROM VARIOUS ARAB COUNTRIES. SALES CONTRACTS OF ABOUT SF 20 MILLION FOR TELECOMMUNICATIONS EQUIPMENT WERE REPORTED, AS WELL AS SF 1 MILLION FROM FROM SALE FOF MERCHANDISE EXHIBITED BY TOURISM INDUSTRY. SWISS EXPRESSED PARTICULAR SATISFACTION WITH PUBLICITY GIVEN EXHIBIT IN ARAB PRESS AND THAT DELEGATIONS FROM SEVERAL ARAB COUNTRIES VISITED THE EXHIBITION.

8. OCCIDENTAL PETROLEUM REDUCES SWISS OPERATIONS: OXY METAL, GENEVA, SUBSIDIARY OF OCCIDENTAL PETROLEUM ANNOUNCED A FURTHER RESHUFFLING OF ITS OPERATIONS FOR EUROPE, REDUCING MOST OF ITS ACTIVITIES IN SWITZ TO A SALES AND SERVICE OFFICE IN GENEVA WHICH WILL ALSO DO SOME RESEARCH AND METAL FINISHING. OXY FACTORY IN AVENCES NEAR GENEVA WILL BE SOLD TO A SWISS GROUP, CHEMISHE FABRIK SCHWEIZERHALLE, BASIL. REDUCED ACTIVITY IN LARGE PART DUE TO REDUCED INVESTMENT BY SWISS WATCH AND PRECISION INSTRUMENT INDUSTRIES WHERE OXY HELD COMMANDING LEAD AS UPPLIER OF SURFACE TREATMENT AND PLATING EQUIPMENT.

9. BANKRUPTCIES: NUMBER OF BANKRUPTCIES FILED IN NOV DROPPED TO 90 COMPARED WITH 107 NOV 1975. THIS BRINGS 11 MONTH 1976 TOTAL TO 970 AGAINST 890 SAME PERIOD UNCLASSIFIED

UNCLASSIFIED

PAGE 05     BERN 05589 091025Z

LAST YEAR.

10. RETAIL SALES: OCT RETAIL SALES SHOWED 5 PERCENT DECREASE IN VALUE COMPARED OCT 1975, PRIMARILY DUE TO DECLINE IN CLOTHING AND TEXTILES WHILE SALES OF AUTOMOBILES, FURNITURE AND BUSINESS MACHINES ROSE. DAVIS

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BERN05589  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760455-0305  
**From:** BERN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761256/aaaabvxx.tel  
**Line Count:** 208  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** wolfsd  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 03 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <03 JUN 2004 by hattaycs>; APPROVED <03 AUG 2004 by wolfsd>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SWISS FINANCIAL AND ECONOMIC REPORT: WEEK NOV 28 - DEC 4  
**TAGS:** EFIN, ECON, SZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006